

SULLIVAN COUNTY, NEW HAMPSHIRE

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2011

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Sullivan County
Newport, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
September 20, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Sullivan County
Newport, New Hampshire

Compliance

We have audited Sullivan County's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 11-1 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs that could have a direct and material effect on its Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program – ARRA and Second Chance Act Prisoner Reentry Initiative grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2011, and have issued our report thereon dated September 20, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

Nashua, New Hampshire

March 26, 2012

SULLIVAN COUNTY, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Justice</u>		
Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	16.810	\$ 203,823
Second Chance Act Prisoner Reentry Initiative	16.812	241,349
Passed Through State Department of Justice:		
Juvenile Justice and Delinquency Prevention	16.540	10,411
Title V Delinquency Prevention Program	16.548	35,702
Public Safety Partnership and Community Policing Grants	16.710	71,609
Juvenile Mentoring Program	16.726	73,797
Enforcing Underage Drinking Laws Program	16.727	<u>13,628</u>
Total U.S. Department of Justice		650,319
<u>U.S. Department of Transportation</u>		
Passed Through State Department of Transportation: Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>6,352</u>
Total U.S. Department of Transportation		6,352
<u>U.S. Department of Energy</u>		
Passed Through State Department of Energy: Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	<u>42,079</u>
Total U.S. Department of Energy		42,079
<u>U.S. Department of Health and Human Services</u>		
Passed Through State Department of Health and Human Services: Medical Reserve Corps Small Grant Program	93.008	2,471
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	128,630
Drug-Free Communities Support Program Grants	93.276	<u>52,724</u>
Total U.S. Department of Health and Human Services		<u>183,825</u>
Total Federal Expenditures		<u>\$ 882,575</u>

This schedule was prepared on a modified accrual basis of accounting.

See accompanying report on requirements of OMB Circular A-133.

State identifying numbers were not available for the pass-through grants listed above.

SULLIVAN COUNTY, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Assistance to Rural Law Enforcement to Combat

Crime and Drugs Competitive Grant Program - ARRA

Qualified

Second Chance Act Prisoner Reentry Initiative

Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

16.810

Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA

16.812

Second Chance Act Prisoner Reentry Initiative

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
11-1	Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program – ARRA 16.810	<u>Improve Time and Effort Records</u>	\$ 202,178
	Second Chance Act Prisoner Reentry Initiative 16.812	<p><u>Criteria:</u> OMB Circular A-87, Attachment B, Paragraph 8.h.4 requires employees to document the portion of time worked on the grant and the portion of time worked in areas not related to the grant. An employee whose salary is paid in full from federal grant funds is required to certify that he/she has been engaged solely in activities supported by the grant. The semi-annual certification must cover a specific period of time (6 months), and must be signed by the employee or a supervisory official who has first-hand knowledge of the work performed. An employee whose salary is paid in part from federal grant funds and in part from other revenue sources must maintain time and effort distribution records, such as activity reports or timesheets that document the portion of time spent on programs supported by the other revenue sources. OMB Circular A-87 requires that these records must (1) be done after the fact (not estimated or budgeted), (2) account for the total activities for which the employee is being paid, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee.</p> <p><u>Condition:</u> During our audit, we tested a sample of payroll disbursements in order to determine if adequate time and effort records were maintained. As a result of our testing of employees charged to the grants, it was determined that time and effort certifications for the period under audit were not prepared.</p>	\$ 47,311

(continued)

(continued)

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<u>Effect:</u> Time and effort documentation did not meet Federal requirements.	
		<u>Recommendations:</u> We recommend that the County implement policies and procedures to ensure that adequate documentation of time and effort is maintained for all employees whose salaries are paid in full or in part from federal grant funds. This will ensure that the County is in full compliance with the documentation requirements of OMB Circular A-87.	
		<u>County's Response:</u> Sullivan County has implemented policies which require all employees whose salaries are paid in full or in part by federal grant funds, to submit semi-annual certifications and/or signed bi-weekly timesheets in order to meet the time and effort requirements established under federal guidelines.	

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>
10-1	Substance Abuse and Mental Health Services - Projects of Regional and National Significance 93.243	<u>Improve Time and Effort Records</u> <u>Prior Year Condition:</u> Time and effort certifications for the period under audit were not prepared. <u>Current Year Status:</u> This has been repeated as current year finding 11-1.